

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking Into Distributed
Generation.

Rulemaking 99-10-025
(Filed October 21, 1999)

**ASSIGNED COMMISSIONER'S RULING
ON INTERCONNECTION FEES FOR DISTRIBUTED GENERATION**

1. Summary

This ruling affirms that Rulemaking (R.) 99-10-025 is the forum to address all cost issues associated with interconnection of customers utilizing distributed generation facilities to investor owned utilities. Responsibility for interconnection costs associated with solar and wind generating facilities eligible for net energy metering under Pub. Util. Code § 2827 are also properly addressed in this proceeding.

Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), and San Diego Gas & Electric Company (SDG&E) shall file proposals to define and allocate costs associated with interconnecting distributed generation. Respondent utilities shall include proposals to implement Pub. Util. Code § 2827(d) with respect to identification and assignment of interconnection charges.

2. Background

Parties have identified policy and rate design issues associated with deployment of distributed generation in workshops, testimony and evidentiary

hearings. A number of issues related to interconnection costs were identified by participants at the March 29, 2000 Rate Design Workshop facilitated by the Energy Division, and through the ongoing Interconnection Standards Workshop process led by the California Energy Commission.

On April 14, 2000, assigned Administrative Law Judge (ALJ) Cooke issued a ruling outlining the scope of Phase 2 testimony, which encouraged parties to address specific rate design issues, including those related to interconnection costs. These issues included cost recovery and allocation, such as who should pay for costs to interconnect to the distribution system and for interconnections, or if costs incurred by the first distributed generation customers on a specific circuit or feeder should be shared by subsequent distributed generation customers connecting to the same facilities.¹ Testimony was filed on May 30, 2000, followed by subsequent reply testimony and evidentiary hearings.

Concurrently, the Commission adopted standards to simplify and standardize Rule 21 and associated fees governing interconnection of distributed generation facilities. Decision (D.) 00-12-037 adopted a uniform billing rate for an initial and supplemental review of an interconnection application. The Commission recognized a likely need to adjust the adopted fees and address cost allocation at a later time.

On April 11, 2001, Governor Davis approved Assembly Bill (AB) X1 29, which specified certain changes to California's net energy metering program. Previously, program participation was limited to residential and small commercial customers with wind or solar generating facilities of 10 kW or less.

¹ April 14, 2000 ALJ Ruling Regarding Scope of Phase 2 Testimony, p. 3.

ABX1 29 adds temporary provisions to expand eligible customer classes to include all commercial, industrial and agricultural customers, increases the allowable facility size to 1 megawatt (MW), and confers certain rate benefits to net metered customers. Specifically, Section 2827 (d) of the PU Code states:

Any new or additional demand charge, standby charge, interconnection charge, or other charge that would increase an eligible customer-generator's costs beyond those of other customers in the rate class to which the eligible customer-generator would otherwise be assigned are contrary to the intent of this legislation, and shall not form a part of net energy metering contracts or tariffs.

The Interconnection Working Group has held discussions regarding the impact of ABX1 29 on the utilities' interconnection rules and practices.

Discussion topics have included recovery of costs associated with interconnecting net-metered facilities above 10kW. The utilities assert that projects over 10 kW will likely require additional studies to determine potential impacts of facilities on the distribution system. If significant system impacts are identified, distribution upgrades could be required to mitigate these impacts. The utilities appear to agree that net-metered customers over 10 kW that require additional studies and/or upgrades should bear the associated costs to perform these services.

On April 11, 2001, ALJ Cooke issued a ruling directing respondent utilities to file pro forma tariffs to implement ABX1 29, PG&E, SCE and SDG&E each filed advice letters with the Energy Division which revise the net energy metering tariff schedules; SDG&E and PG&E also submitted revised net energy metering interconnection agreements. Additionally, PG&E filed a revised Rule 21, which proposes to charge initial and supplemental review fees to customers installing net-metered facilities over 10kW. The utilities currently

waive review fees for net-metered applicants with facilities 10 kW or less, and propose to continue that waiver.

The Office of Ratepayer Advocates (ORA) filed protests on all three utility filings. ORA protested PG&E's advice letter on the grounds that ABX1 29 exempts net-metered customers from paying fees for interconnection application review. ORA points out the current interconnection tariff specifies that net energy metering applicants do not pay interconnection review fees. ORA believes the intent of ABX1 29 is to expand the current review fee waiver to facilities sized up to 1 MW.

On August 14, 2001, PG&E customer Kenneth Adelman filed a formal complaint with the Commission against PG&E (C.01-08-013). Mr. Adelman seeks to interconnect a 31kW photovoltaic (PV) facility to PG&E's distribution system. When connected, the PV facility will serve Mr. Adelman's onsite residential load; excess generation would flow through a bi-directional meter to the grid. In his filing, Mr. Adelman asserts ABX1 29 requires PG&E to connect solar systems up to 1 MW without customer payment of any new or additional interconnection charges, including payment of interconnection studies and distribution upgrades.

At a prehearing conference, assigned ALJ Walker directed parties to work towards resolution of issues related to physical connection of Mr. Adelman's photovoltaic facility to PG&E's distribution system. ALJ Walker ordered parties to submit an interim settlement agreement by September 14, 2001. The agreement would memorialize resolution of specific issues, and would serve as an interconnection agreement until PG&E's proposed net energy metering tariffs are approved. ALJ Walker expressed reluctance to rule on interconnection charge issues, primarily because only two parties, PG&E and Mr. Adelman,

would be presenting evidence. The ALJ indicated he might refer interconnection charge issues to R.99-10-025.

3. Discussion

In order to ensure a coordinated and consistent approach, ongoing discussions and subsequent resolution of interconnection cost issues must remain consolidated within one proceeding. Clearly, there is a dispute amongst the parties about how to interpret ABX1 29, as evidenced by the Advice Letter filings, protests, and the complaint case. It is inefficient for this Commission to address these cost issues in separate venues, and equally inefficient for parties to monitor and participate in multiple proceedings. The Commission identified this rulemaking as the proceeding that would identify and resolve policy and rate design issues associated with distributed generation and reaffirmed that “the appropriate forum for addressing interconnection fees...for distributed generation is R.99-10-025.” (D.01-03-073, p. 34.)

To facilitate adoption of utility net energy metering tariff schedules and interconnection agreements, it is sensible to separate interconnection cost issues from the remaining ABX1 29 compliance issues contained in the advice letter filings. The Energy Division should complete its normal review process for the advice letters, referring all interconnection cost issues to R.99-10-025 for resolution.

Respondent utilities are directed to file proposals to define and allocate costs associated with interconnecting distributed generation. Respondent utilities shall address implementation of Pub. Util. Code § 2827(d) with respect to identification and treatment of interconnection charges. Respondent utilities are encouraged to meet and confer amongst themselves and other parties to develop a consistent approach, particularly with respect to procedures required by

Rule 21. The filings should build upon discussions held through the Interconnection Workshop process, and should reflect the utilities' experience working with the revised Rule 21 and the interconnection application process. The filing should discuss the costs associated with application review, studies associated with the both the design of a customer's proposed generating facility as well as impacts to the distribution system, propose a definition of "interconnection costs," provide a framework for practical application within the context of Rule 21, describe how the utilities plan to differentiate between interconnection costs, and costs associated with upgrades to distribution facilities, and explain how the utilities plan to identify and assign costs associated with interconnecting a net metered customer over 10kW.

Therefore, **IT IS RULED** that:

1. Pacific Gas and Electric Company, San Diego Gas & Electric Company, and Southern California Edison Company shall file proposals by October 19, 2001 that include the following elements:

- a. description of how to define and allocate costs associated with interconnecting distributed generation.
- b. proposal to implement Pub. Util. Code § 2827(d) with respect to identification and treatment of interconnection charges.
- c. consistent treatment of initial and supplemental review fees described in each utility's Rule 21.
- d. further identify costs associated with application review, study of a customer's proposed generating facility, and distribution system impact study

- e. define and clarify elements of “interconnection costs” for purposes of inclusion in Rule 21
 - f. describe how the utilities plan to differentiate between interconnection costs and costs associated with upgrades to distribution facilities.
 - g. propose how the utilities plan to determine and assign review, study and upgrade costs associated with interconnecting a net metered system over 10kW.
2. Comments on the utility filings shall be filed by November 2, 2001. Reply comments may be filed by November 13, 2001.

Dated September 28, 2001, at San Francisco, California.

/s/ RICHARD A. BILAS

Richard A. Bilas
Assigned Commissioner

CERTIFICATE OF SERVICE

I certify that I have by mail this day served a true copy of the original attached Assigned Commissioner's Ruling On Interconnection Fees for Distributed Generation on all parties of record in this proceeding or their attorneys of record.

Dated September 28, 2001, at San Francisco, California.

/s/ JEANNIE CHANG
Jeannie Chang

N O T I C E

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